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# Marketing Practices of a Sample of Iowa Hog Producers

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# MARKETING PRACTICES OF A SAMPLE OF IOWA HOG PRODUCERS

by

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No. 1

CONTENTS

# INTRODUCTION

The papers in this report summarize some of the results of a survey of 489 Iowa hog producers. The survey was conducted in 1972; it included producers in all areas of Iowa. The Department of Economics and the Statistical Laboratory of the Agriculture and Home Economics Experiment Station at Iowa State University cooperated in conducting the survey. The survey was financed by Agriculture and Home Economics Experiment Station project 1822.

This report deals with hog marketing decisions and practices; another report deals with hog production facilities and practices.

The authors of the following papers are grateful to the Statistical Laboratory, to the interviewers who collected the data and to the farmers who provided the data.

# 1. CHARACTERISTICS OF IOWA HOG OPERATIONS

by Ronald Raikes

In 1971 the typical Iowa hog producer was 48.5 years old, operated about 327 acres of land, and sold 286 slaughter hogs which provided nearly 40 percent of his gross farm sales. Compared to this typical producer and to smaller producers, larger hog producers were younger, operated more acres, and relied on their larger hog enterprises to provide a higher percentage of their higher gross farm sales.

To compare characteristics of different sized hog operations, the hog producers interviewed were divided into seven size categories according to the number of hogs sold. The first column in Table 1 shows that producers in the smallest size category sold an average of 108 hogs in 1971, white producers in the largest size category sold an average of 2111 hogs. The average for all producers in the state was 286. The second column shows that the amount of land operated increased with the size of the hog enterprise.

## Gross Farm Sales from All Products

For producers in all seven size categories the hog enterprise was an important source of gross farm sales, but it was especially important for producers in the larger size categories. Chart 1 shows gross farm sales from all products for Iowa hog producers in 1971, when hog prices on the interior market averaged about $18 per cwt. The chart shows, for example, that about 8 percent of the producers had gross farm sales from all products in the $25,000 to $29,999 range, and that about 50 percent had gross sales of $29,999 or less. But gross farm sales was closely related to the size of the hog enterprise. Most hog producers in the lower gross sales categories had small hog enterprises and most in the higher categories had large hog enterprises. One-third of the hog producers in

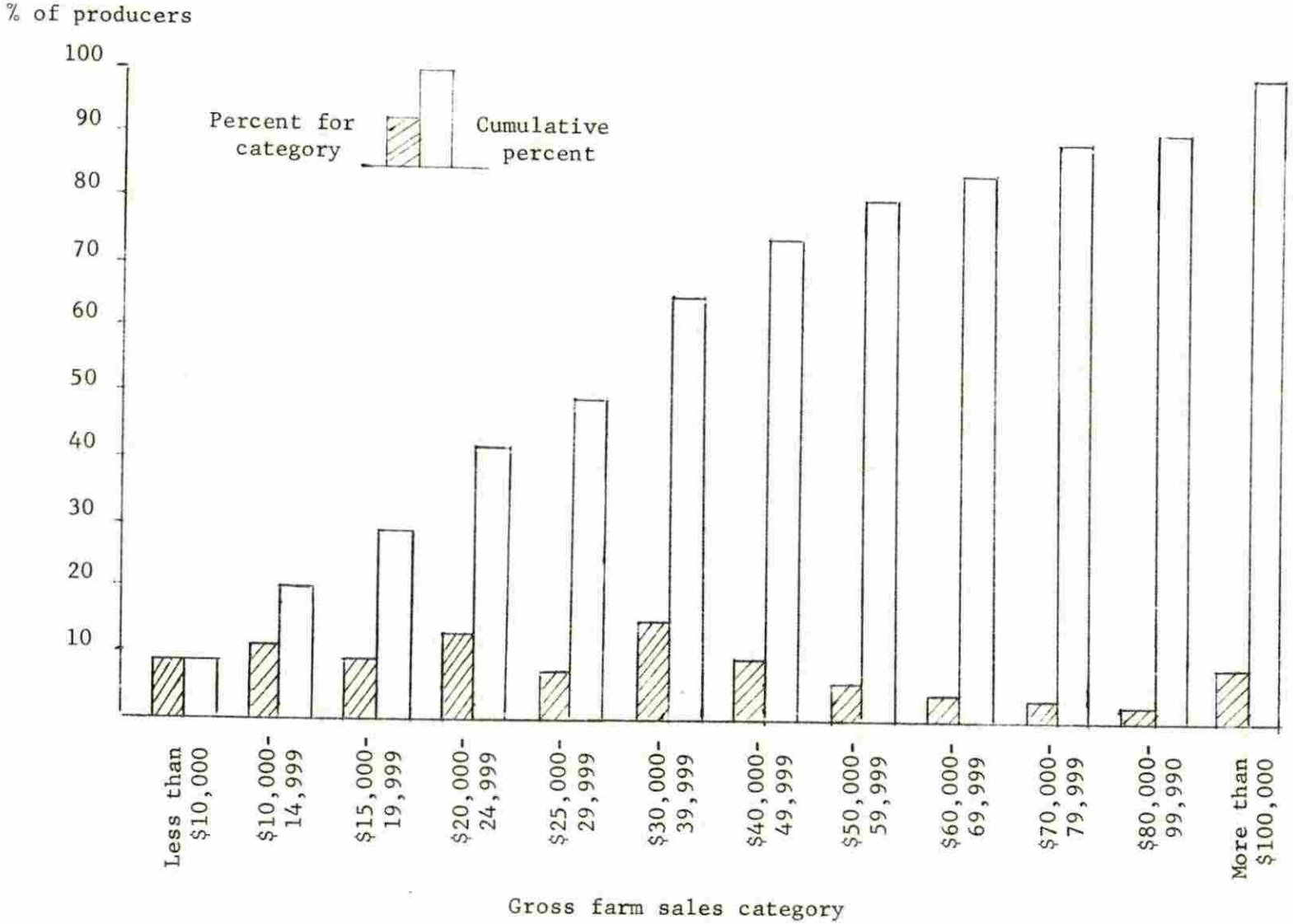
Table 1. Characteristics of different sized Iowa hog operations, 1971.

| Category of producers | Average no. of butcher hogs sold[a] | Average acres operated | Percentage of gross farm sales from hogs | Average age of producers | Average years education[b] | Percentage of Iowa producers represented | Percentage of Iowa hog sales represented |
|---|---|---|---|---|---|---|---|
| Size category | | | | | | | |
| 1 . . . | 108 | 257 | 30 | 51.5 | 10.6 | 21.9 | 6.6 |
| 2 . . . | 208 | 319 | 36 | 49.8 | 10.4 | 35.8 | 26.3 |
| 3 . . . | 276 | 328 | 41 | 48.5 | 11.1 | 14.8 | 15.1 |
| 4 . . . | 398 | 355 | 45 | 45.2 | 11.2 | 12.6 | 17.5 |
| 5 . . . | 582 | 404 | 57 | 43.8 | 11.3 | 12.6 | 25.9 |
| 6 . . . | 1038 | 535 | 59 | 42.7 | 11.3 | 2.2 | 8.0 |
| 7 . . . | 2111 | 681 | 56 | 50.6 | 12.3 | 0.1 | 0.6 |
| All Iowa hog producers | 286 | 327 | 39 | 48.5 | 10.8 | 100.0 | 100.0 |

[a] Sales during calendar year 1971.

[b] First grade and beyond.

Chart 1. Percent of Iowa hog producers having specified gross farm sales from all products in 1971.



the smallest size category had gross sales of less than $10,000, while sales of all products exceeded $100,000 for more than 90 percent of the largest producers.

Large hog producers relied heavily on their hog enterprises to achieve these high levels of gross farm sales. The third column in Table 1, and Chart 2, show that for the average producer the hog enterprise provided 39 percent of gross farm sales, but for larger producers hogs provided well over half of gross farm sales.

The success that producers in the larger size categories had in achieving high levels of hog production and gross farm sales cannot be attributed to age and experience. But, education may play a part. The fourth and fifth columns in Table 1 show that for the most part larger producers were younger and more highly educated than smaller producers. They also had less experience both as farmers and as hog producers than smaller producers. The average age of Iowa hog producers, 48.5 years, was exactly the same as the average age of all Iowa farmers reported in the 1969 census of agriculture.

These younger and larger producers are a minority of Iowa's hog producers, but they produce a majority of the hogs. From the last two columns in Table 1 it is apparent that the nearly 22 percent of the producers who are in the smallest size category, produce less than 7 percent of the hogs. On the other hand, producers in the largest four size categories represent less than 28 percent of the producers, but they produce more than 50 percent of the hogs.

## Hog Enterprises

More of the larger producers than of the smaller producers were involved in both the farrowing and finishing phases of hog production. Also, they farrowed more litters and farrowed more times per year than smaller producers. This is shown in Table 2.

Chart 2. Percent of gross farm sales from hog enterprise, 1971.

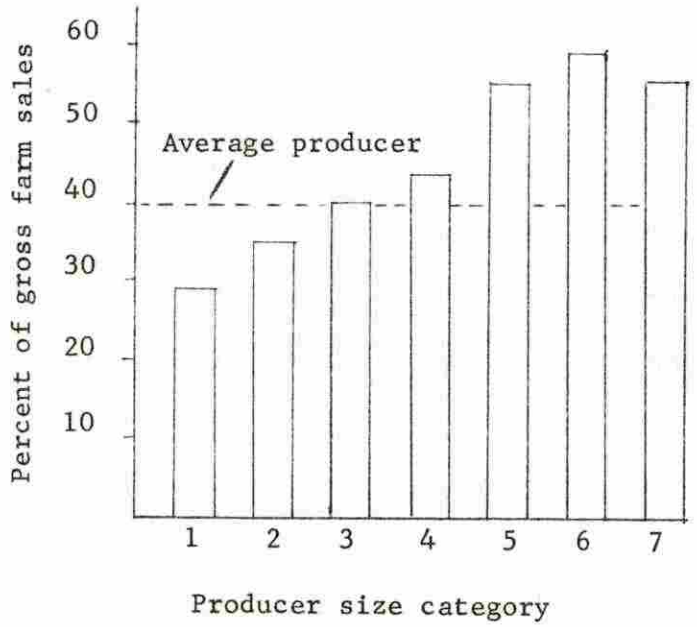


Table 2. Characteristics of Iowa hog enterprises, 1971.

| Category of producers | Farrowing | | | Feeder pigs | | Breeding stock | | |
|---|---|---|---|---|---|---|---|---|
| | | | | Percent of producers: | | Percent of producers: | | |
| | Percent of producers farrowing sows | Average no. of litters farrowed | Average no. of mo. in which sows were farrowed | Purchasing feeder pigs | Selling feeder pigs | Purchasing bred sows or gilts | Selling female breeding stock | Selling boars |
| Size category | | | | | | | | |
| 1 . . . . . | 69 | 23 | 2 | 33 | 14 | 0 | 3 | 8 |
| 2 . . . . . | 77 | 50 | 3 | 30 | 8 | 5 | 12 | 6 |
| 3 . . . . . | 82 | 50 | 3 | 30 | 18 | 11 | 13 | 7 |
| 4 . . . . . | 87 | 64 | 4 | 24 | 9 | 11 | 13 | 7 |
| 5 . . . . . | 88 | 90 | 5 | 22 | 18 | 10 | 20 | 10 |
| 6 . . . . . | 86 | 167 | 6 | 21 | 23 | 14 | 23 | 7 |
| 7 . . . . . | 92 | 274 | 8 | 50 | 25 | 25 | 50 | 8 |
| All Iowa hog producers | 79 | 55 | 3 | 29 | 13 | 6 | 12 | 7 |

Table 2 also shows that more than 20 percent of all producers, and more than 30 percent of the smallest producers, did not farrow any of the hogs they sold for slaughter. Instead, they purchased feeder pigs. In 1971, Iowa was a net importer of feeder pigs. About 29 percent of the producers in the state purchased feeder pigs, and the average purchaser bought about 204 pigs. On the other hand, only 13 percent of the producers sold feeder pigs. The average number sold was about 158.

Some producers purchased bred sows or gilts. Table 2 shows that this was more common among larger producers. Sales of female breeding stock (open or bred sows and gilts) were also more common among larger producers. Seven percent of the producers in the state sold boars for breeding stock.

## Farming Operations

Perhaps because they were heavily involved in hog production, producers in the larger size categories were more specialized in both crop and livestock production than smaller producers. This and some other characteristics of the farming operations of hog producers are summarized in Table 3. The first column shows that 30 percent of the hog producers operated all the land they owned but no additional land (complete owner-operators). The second and third columns show that 30 percent of the producers rented all of the land they operated (complete renters), and that 40 percent operated both owned and rented land. About 8 percent of the producers leased some land to others.

The fourth column in Table 3 shows the average number of different crops grown by producers in each of the size categories. For example, of the four crops considered (corn, soybeans, oats, and hay or rotated pasture) the average number grown by producers in the sixth size category was 3.0. Smaller producers were more diversified and larger producers were more specialized. The average

Table 3. Characteristics of farming operations of Iowa hog producers, 1971.

| Category of producers | Percentage of producers: Complete owner-operators | Complete renters | Combination owner-renters | Total | Average number of: Crop enterprises[a/] | Livestock enterprises[b/] |
|---|---|---|---|---|---|---|
| Size category | | | | | | |
| 1 . . . . . | 33 | 28 | 39 | 100 | 3.1 | 2.8 |
| 2 . . . . . | 37 | 32 | 31 | 100 | 3.2 | 2.6 |
| 3 . . . . . | 21 | 30 | 49 | 100 | 3.3 | 2.6 |
| 4 . . . . . | 15 | 34 | 51 | 100 | 3.2 | 2.6 |
| 5 . . . . . | 28 | 23 | 49 | 100 | 3.3 | 2.6 |
| 6 . . . . . | 21 | 18 | 61 | 100 | 3.0 | 2.6 |
| 7 . . . . . | 42 | 17 | 41 | 100 | 2.4 | 2.4 |
| All Iowa hog producers | 30 | 30 | 40 | 100 | 3.2 | 2.6 |

[a/] Crop enterprises counted were corn, soybeans, oats and hay or rotated pasture.

[b/] Livestock enterprises counted were hogs, dairy cows, beef cows, sheep, and cattle feeding.

producer devoted about 40 percent of the land he operated to corn, and nearly all hog producers raised corn. About 60 percent of the producers raised soybeans, and on the average these producers devoted about 25 percent of their land to soybeans.

The average number of livestock enterprises the typical hog producer engaged in was 2.6, or 1.6 in addition to hogs. But the last column in Table 3 shows that the largest hog producers had fewer livestock enterprises and the smallest hog producers had more livestock enterprises than the typical hog producer. Half of the state's hog producers fed cattle, 45 percent had beef cow herds, 29 percent had dairy herds, and 15 percent had sheep enterprises. Beef cows, dairy herds, and sheep were most important among smaller hog producers. The largest producers were the most heavily involved in cattle feeding.

## 2. WHAT CAUSES IOWA HOG PRODUCERS TO CHANGE LEVELS OF PRODUCTION?

George W. Ladd

### Highlights

Between 1970 and 1971 one-fourth of Iowa hog producers substantially increased the number of butcher hogs they sold, and one-third substantially reduced the number of butcher hogs they sold. The reasons for increased marketings varied greatly among producers, as did the reasons for decreased marketings. The same factors which caused some farmers to increase production caused other farmers to decrease production. Substantial portions of the changes that did occur were due to uncontrollable influences: variations in conception rates, litter sizes or disease problems, and changes in health of operators.

### Reasons for Increases or Decreases

Tables 4 and 5 summarize the rated importance of various reasons for increasing or decreasing sales of butcher hogs between 1970 and 1971.

Each producer who had increased butcher hog production by 10 percent or more between 1970 and 1971 was presented a list of items that might have caused his increase. He was asked to assign a score between 1 and 99 to each item to indicate the importance of that item in causing his increase. A score of 1 indicated an item was of no importance while a score of 99 indicated an item was of maximum importance in causing his increase, and intermediate scores indicated intermediate degrees of importance. The numerical scores can be interpreted as follows:

1: No importance

2-30: Slight importance

31-70: Moderate importance

71-90: Considerable importance

91-99: Extreme importance

Responses are summarized in Table 1.

Each farmer who reduced production by 10 percent or more was presented a list of items that might have caused his decrease and was asked to assign a score between 1 and 99 to each item to indicate the importance of each item in causing his decrease. Responses are summarized in Table 5. The first five items in Tables 4 and 5 refer to product or input prices; the next three refer to supplies of inputs; the last four items are affected by management and luck.

The tables reveal several striking findings. 1) Every item listed was of no importance (had a score of one) to 40 percent or more of the producers. 2) Only two factors were of extreme importance (assigned scores of 91 to 99) by more than 10 percent of the producers. These two items were hog disease problems and operator health -- items (k) and (l). 3) A substantial portion of the increases and decreases in hog production that do occur are unexpected. Relatively large proportions of farmers indicated that one or more of the last four items in each table were of considerable or maximum importance.

While some forces were causing some producers to increase production they were causing other producers to decrease production. For example, items (i), (j) and (k) -- conception rates, litter size and disease problems -- were assigned scores of 71 or above by substantial proportions of the farmers who increased production; they were also assigned scores of 71 or above by substantial proportions of the farmers who reduced production. While a substantial number of producers were increasing production because they expected slaughter hog prices -- item (b) -- to increase, a substantial number were reducing production because they expected slaughter hogs prices to decrease. Expected price of fed cattle -- item (c) -- played little role in causing either increases or decreases in production.

Producers who had substantially increased or decreased their marketings of butcher hogs in 1968, 1969 or 1970 were asked to rate the importance of reasons for these increases or decreases. Some year-to-year variations in the distributions of the scores were found, but the results for 1971 in Tables 4 and 5 are fairly typical of the results for other years. The main differences are: In Table 4 expected price of slaughter hogs and feed supply -- items (b) and (g) -- are less important than in the previous years. In Table 5 smaller litter sizes -- item (j) -- was less important than in previous years.

## Reasons for Ceasing Production

Only six percent of the producers interviewed in 1972 had produced no butcher hogs in 1968 and less than three percent had produced no butcher hogs in 1969 or 1970. The four most important reasons for not producing butcher hogs in 1968 were: expected price of slaughter hogs, corn prices, labor supply and capital supply. Factors of intermediate importance were: price of feeder pigs, feed supply, disease problems and general attitude toward producing hogs. Items of minor importance in causing producers to cease hog production in 1968 were: expected price of fed cattle, condition of facilities, hog-corn price ratio, and poor health of operator.

Table 4. Percentages of Iowa farmers assigning various scores in response to question:

"In 1971 you showed a sizeable increase in the number of hogs you sold for slaughter. Here are some factors that may cause a farmer to increase production of slaughter hogs. Using the 99-point scale (1 = no importance and 99 = maximum importance), please indicate how important each factor was in causing you to market more hogs in 1971."

| Reasons | Percent of farmers assigning scores of | | | | |
|---|---|---|---|---|---|
| | 1 | 2-30 | 31-70 | 71-90 | 91-99 |
| (a) Price of feeder pigs | 63 | 11 | 9 | 11 | 6 |
| (b) Expected price of slaughter hogs | 42 | 13 | 31 | 13 | 1 |
| (c) Expected price of fed cattle | 77 | 17 | 3 | 2 | 1 |
| (d) Corn prices | 53 | 14 | 25 | 5 | 3 |
| (e) Ratio between hog prices and corn prices | 49 | 16 | 27 | 5 | 3 |
| (f) Labor supply | 62 | 14 | 14 | 2 | 8 |
| (g) Feed supply | 52 | 13 | 22 | 8 | 5 |
| (h) Capital supply | 61 | 12 | 17 | 8 | 2 |
| (i) Higher than average conception rates | 55 | 21 | 11 | 12 | 1 |
| (j) Higher than average litter sizes | 52 | 18 | 15 | 13 | 2 |
| (k) Fewer disease problems | 50 | 20 | 16 | 12 | 2 |
| (l) Improved health of operator | 82 | 9 | 6 | 2 | 1 |

Table 5. Percentages of Iowa farmers assigning various scores in response to question:

"In 1971 you showed a sizeable decrease in the number of hogs you sold for slaughter. Please indicate how important each factor was in causing you to market fewer hogs in 1971."

| Reasons | Percent of farmers assigning scores of | | | | |
|---|---|---|---|---|---|
| | 1 | 2-30 | 31-70 | 71-90 | 91-99 |
| (a) Price of feeder pigs | 74 | 10 | 12 | 1 | 3 |
| (b) Expected price of slaughter hogs | 46 | 9 | 27 | 13 | 5 |
| (c) Expected price of fed cattle | 74 | 11 | 9 | 4 | 2 |
| (d) Corn prices | 60 | 10 | 15 | 11 | 4 |
| (e) Ratio between hog prices and corn prices | 53 | 12 | 23 | 9 | 3 |
| (f) Labor supply | 70 | 9 | 12 | 1 | 8 |
| (g) Feed supply | 69 | 12 | 13 | 4 | 2 |
| (h) Capital supply | 71 | 15 | 9 | 3 | 2 |
| (i) Lower than average conception rates | 62 | 11 | 16 | 2 | 9 |
| (j) Smaller than average litter sizes | 60 | 10 | 18 | 8 | 4 |
| (k) More disease problems | 48 | 11 | 18 | 5 | 18 |
| (l) Poor health of operator | 75 | 8 | 4 | 2 | 11 |

# 3. DECISIONS ON TIME AND WEIGHTS OF HOG MARKETINGS

George W. Ladd

## Highlights

Producers believe that their two most important hog marketing decisions are selecting the market outlet that pays the highest price, and properly sorting their hogs to obtain the highest price. Nearly three-fourths of all Iowa hog producers do not change the weight ranges at which they prefer to market hogs. Each of these producers tries to market all of his butcher hogs in the same weight range. The most important factors influencing their choices of preferred weight ranges are hog price differences between weights, the good of the hog industry and the cost of feeding to heavier weights. One fourth of all Iowa hog producers change their preferred weight range for marketing butcher hogs from season to season and from year to year according to current conditions. The most important factors affecting these producers' choices of preferred weight range are hog prices and corn prices. Three-fourths of Iowa hog producers do not have a preferred day or days of the week for marketing hogs.

## Preferred Marketing Weights

Each farmer was asked what marketing practice he followed with respect to weight of butcher hogs. Responses are summarized in Table 6. Nearly three-fourths tried to market all hogs in the same weight range and one-fourth adjusted their preferred weight range according to current conditions.

Constant or Varying By Season. Of the 71 percent who tried to market all butcher hogs in the same weight range, one-third indicated their preferred weight range to be 200-220 pounds; 60 percent preferred to market 220-240 pound hogs, 5 percent preferred the 240-270 pound range and less than 1 percent preferred to market hogs in the 180-200 pound class.

Each producer who preferred either of the first two practices in Table 6 was presented a list of items that might affect his choice of preferred weight range and was asked to assign a score between 1 and 99 to each item to measure its importance in causing him to prefer the weight range he specified. Answers are summarized in Table 7. (For discussion of interpretation of the 1 to 99 importance scale see paragraphs two and three of Report 2: What Causes Iowa Hog Producers to Change Levels of Production.)

The mid-range of scores represents the range containing half the answers to a question. One-fourth of the answers are at or below the low point of the mid-range; half the answers fall between the low and high points of the mid-range; and one-fourth of the answers are at or above the high point of the mid-range. For example, one-fourth of the producers interviewed assigned a score of 55 or less to the first item in Table 7, half assigned a score between 55 and 95 and one-fourth assigned a score of 95 or more.

Table 7 shows that price differentials, benefit to the total hog industry and production costs were the most important factors in affecting these producers' choices of preferred weight ranges. Feed supply, need for facilities and time available to market hogs were next most important.

Varying Weight According to Current Conditions. For those producers who change their preferred hog marketing weight according to current conditions -- the last practice in Table 6 -- by far the most important factor in affecting their choice of preferred weight range is hog prices. See Table 8, item (a). The next most important item, and much less important than hog prices, is the hog-corn price ratio. The four next most important factors affecting their choices of preferred weight ranges were need for money, feed supply, corn prices and need for facilities.

Several items appear in both Tables 7 and 8: hog price, feed supply, need for facilities, and three items referring to availability of labor. Each of these six items has practically the same average score in both tables. Evidently these six items are of about equal importance (or unimportance) to both groups of producers in affecting their choice of preferred weight range. We cannot say that these are of equal importance to all producers, however, because the mid-ranges for these items are large, indicating substantial variation among producers in the degree of importance of these items.

## Importance of Marketing Decisions

Table 9 summarizes producers' views on the importance of four different marketing decisions. On the average, selecting market outlet and properly sorting hogs were slightly more important than selecting a day and much more important than selecting a time of day. By and large producers believe they have a good batting average in making these four decisions. They believe they make the right choice in each of these decisions about 70 percent of the time.

## Preferred Marketing Days

Three-fourths of the farmers interviewed did not have a certain day or days of the week on which they preferred to market hogs, but one-fourth did have a preferred day or days. Wednesday was the most preferred day with 13 percent of all producers identifying it as their most preferred day; Friday and Saturday were the least preferred days, with only 4 percent of the farmers preferring Friday and only 3 percent preferring Saturday. Monday, Tuesday or Thursday were each preferred by 10 percent of the farmers. Some producers had more than one preferred day.

However, either (a) preferences for specific days were not strong for most producers or (b) it is difficult to schedule work to market hogs on preferred

days or (c) both. During 1971 the producers with daily preferences had succeeded in marketing only one-fourth of their butcher hogs on preferred days, and only one-fifth had marketed more than two-thirds of their hogs on the preferred days.

Report 4 -- Sources and Uses of Price and Marketing Information -- also contains information on producers' decisions on time of marketing hogs.

Table 6. Percentages of farmers following each one of three different marketing practices.

| Practice | Percent Following |
|---|---|
| (a) Try to market all butcher hogs in the same weight range. | 71 |
| (b) Change preferred weight range for marketing from season to season but not from year to year. | 3 |
| (c) Change preferred weight range from season to season and from year to year according to current conditions. | 26 |

Table 7. Average scores and mid-ranges of scores assigned in response to question:

"You have indicated one (or more) preferred weight range(s) for marketing butcher hogs. How important is each factor listed in causing you to prefer this (or these) weight ranges, again using the 1 to 99 scale?"

| FACTOR | Degree of Importance | |
|---|---|---|
| | Average Score | Mid-Range of Scores[a/] |
| (a) Price differential for this weight range . . . | 76 | 55-95 |
| (b) Good for total hog industry to market hogs in this weight range . . . . . | 71 | 55-95 |
| (c) Cost of feeding to higher weights . . . . . | 69 | 45-85 |
| (d) Supply of home grown feed . . . . . | 49 | 5-85 |
| (e) Need of facilities for other hogs or other livestock when hogs reach this weight . . . . | 43 | 5-75 |
| (f) Time available to market hogs when they reach this weight (sorting, hauling, finding buyer, etc.). . . . . | 38 | 1-60 |
| (g) Availability of labor to care for hogs until they reach this weight . . . . . | 29 | 1-50 |
| (h) Lack of labor to care for heavier hogs . . . | 20 | 1-35 |

[a/] Mid-range contains the middle half of the scores; one-fourth fall at or below the lower end of the mid-range; one-fourth of the scores are at or above the upper point of the mid-range.

Table 8. Average scores and mid-ranges of scores assigned in response to question:

"You have indicated that you change the weight range you prefer to market hogs according to current conditions. How important is each factor listed in deciding what weight range to use? Please give a number between 1 and 99, as before."

| FACTOR (re deciding weight range to use) | Degree of Importance | |
|---|---|---|
| | Average Score | Mid-Range of Scores[a/] |
| (a) Hog prices | 76 | 65-99 |
| (b) Ratio between hog prices and corn prices | 56 | 15-85 |
| (c) Need for money to pay due bills | 48 | 5-75 |
| (d) Supply of home grown feed | 47 | 1-75 |
| (e) Corn prices | 46 | 5-75 |
| (f) Need of facilities for other hogs or other livestock | 46 | 15-75 |
| (g) Time available to market hogs (sorting, hauling, finding buyer, etc.) | 41 | 5-65 |
| (h) Availability of labor to care for hogs | 25 | 1-45 |
| (i) Beef prices | 25 | 1-45 |
| (j) Lack of labor to care for heavier hogs | 21 | 1-35 |

[a/] Mid-range contains the middle half of the scores; one-fourth fall at or below the lower end of the mid-range; one-fourth of the scores are at or above the upper point of the mid-range.

Table 9. Average score and mid-range of scores given in response to question:

"Everyone wants to make as much money as possible when they sell their hogs. In your attempt to do this how important is each of these marketing decisions? Rate the importance to you of each marketing decision by assigning a number between 1 and 99."

| MARKETING DECISION | Degree of Importance | |
|---|---|---|
| | Average Score | Mid-Range of Scores |
| (a) Selecting the market outlet that pays the highest price | 84 | 75-95 |
| (b) Properly sorting hogs so that I sell the weights or grades that bring the highest price | 82 | 65-95 |
| (c) Selecting the day on which price is highest | 79 | 50-95 |
| (d) Selecting the time of day (e.g., A.M. or P.M.) when price is highest | 71 | 10-75 |

# 4. SOURCES AND USES OF PRICE AND MARKETING INFORMATION

George W. Ladd

## Highlights

Farm management advisors, hog buyers, commission agents, auction operators and feed salesmen are possible sources of advice on hog marketing. Slightly more than half of Iowa's hog producers do not regularly obtain hog marketing advice from any of these sources. Hog buyers are the source of advice most commonly used by farmers; a third of Iowa's hog producers regularly obtain advice from them. Forty percent of Iowa's hog producers base their decisions on time of marketing hogs on the condition of the hogs ("ready to market") and on acceptability of current price. Judgments on acceptability of current price are based on price quotations and production costs. Few hog producers buy or sell futures contracts but many believe that the futures market provides useful information regarding prices of butcher hogs in coming months.

## Sources of Advice

By far the most common source of advice on hog marketing was hog buyers. It is more common for large producers to obtain advice than it is for small producers. Less than 40 percent of the small producers obtained advice; between 40 and 50 percent of the medium sized producers, and 60 percent of the largest producers generally obtained hog marketing advice. More than half of the largest producers obtained advice from hog buyers; more than a third of the medium sized and large producers obtained advice from hog buyers. Some producers obtained advice from more than one source; however, 56 percent of the producers did not obtain advice from any of the sources listed in Table 10.

When those who obtained advice were asked how often they followed it, 14 percent answered "seldom," 51 percent answered "occasionally," 31 percent answered

"frequently" and 4 percent answered "always." Although it is more common for large producers to obtain advice than it is for small producers, large producers follow the advice they obtain less frequently than do small producers. Forty-five percent of the small and medium sized producers frequently or always followed the advice they received, whereas only 30 percent of the large producers frequently followed the advice and none always followed the advice they received.

## Time of Marketing

We asked "When you think your hogs are "ready to market" do you consider feeding them longer if you are not offered what you consider to be a minimum acceptable price?" Of the farmers interviewed, 42 percent answered "Yes" and 58 percent answered "No." Each farmer who answered "Yes" was asked to rate the importance of each of several items in determining his minimum acceptable price. By far the most important factors in influencing the decision on minimum acceptable price were price quotations -- either public (radio, TV, newspaper) or private (from potential buyers) -- and production costs. Prices quoted in market newsletters, prices received the last time hogs were sold and prices received by neighbors had a minor influence on minimum acceptable price.

## Use of Futures Market

At the time of the interviews only one percent of the producers interviewed owned a live hog futures contract; and only three percent had ever bought or sold a contract. As might be expected, it was more common for large than for small producers to buy or sell futures contracts: 16 percent of the largest producers had bought or sold futures contracts.

Many producers used futures market information in spite of the fact that few producers participated in the futures market. Producers were asked how much useful information the live hog futures market provides concerning butcher hog

prices in coming months. One-fourth thought it provided no useful information; slightly more than one-half thought it provided some useful information; one-tenth thought it provided a great deal of useful information concerning butcher hog prices in coming months; and one-tenth had no opinion.

Table 10. Percentages of farmers who generally obtained advice on hog marketing from specified sources.

| Sources | Percentages | |
|---|---|---|
| | Obtaining advice from this source | Not obtaining advice from this source |
| Farm management advisors | 5 | 95 |
| Hog buyers | 35 | 65 |
| Commission agents or auction operators | 11 | 89 |
| Feed salesmen | 9 | 91 |

# 5. MARKET OUTLET CHOICES OF IOWA HOG PRODUCERS

by Ronald Raikes and Dan Tilley

Most Iowa hog producers do not shop around for a hog market outlet. Sixty three percent of the state's hog producers use a single market outlet, and nearly half of the producers receive bids from only one buyer before selling. Packer-owned buying stations are the outlets chosen for nearly half of Iowa's production. Also, nearly all hogs are sold on a liveweight basis even though many producers feel they would receive more money for their hogs if they sold more of them on a carcass-weight basis.

But marketing practices are different for producers in different size categories. In general, larger producers contact more buyers, use more outlets, ship hogs to more distant outlets, and sell a greater percentage of their hogs on a carcass weight basis than do smaller producers.

## Number of Outlets Used

Even though every county in Iowa has at least three market outlets and some counties have as many as 20, most hog producers use only one outlet. The last column in Table 11 shows that 63 percent of the state's producers sold all their hogs through one outlet, 29 percent used two outlets, and only 8 percent used three or more different outlets in 1971.

But larger producers tended to use more outlets. Three-fourths of the smallest producers (Category 1, Table 11) used only one outlet while only one-fourth of the largest producers (Category 7) sold to only one outlet.

Not only did most producers market all their hogs at only one or two outlets in 1971, most had used these same outlets for several years. Sixty percent of the state's hog producers used the same outlets in 1971 that they had used in each of the previous five years. However, more smaller producers than larger

producers use the same outlets year after year. About 70 percent of the smallest producers used the same outlets during each of the six years 1966-1971, while only 40 percent of the largest producers used the same outlets during each of these years.

Perhaps one of the reasons larger producers use more market outlets than smaller producers is that they usually obtain more bids before deciding where to sell each lot of hogs. Table 12 shows that half of the producers in the largest size category usually obtained three or more bids on each lot sold. On the other hand, nearly half (48 percent) of the producers in the smallest size category usually obtained only one bid, and none usually obtained more than two bids.

Besides comparing bids, a producer can compare market outlets by dividing a lot of hogs into two or more equal groups and sending each group to a different outlet. But during 1971 and the five year period before, only 6 percent of the state's producers used this practice. Use of this practice, however, varied considerably between size categories: only 3 percent for the smallest size category as compared to 67 percent for the largest size category.

## Types of Outlets Used

For producers in all size categories packer-owner buying stations were the most popular type of market outlet. The last column in Table 13 shows that 46 percent of the hogs were marketed at packer-owned buying stations; packing plants, independently-owned buying stations, and terminal markets followed in importance. The relative importance of the four major types of market outlets differs between producer size categories. Larger producers ship more of their hogs directly to packing plants and less to packer-owned buying stations than do smaller producers.

Partly because smaller producers make more use of packer-owned buying stations, the average distance they haul hogs from their farms to market is less

than for larger producers (bottom line in Table 13). The average distance traveled from farms to packer-owned buying stations was about 8 miles while the average distance to packing plants was 25 miles. Terminals were farthest (averaging 53 miles) and independently-owned buying stations were closest (averaging 7 miles).

Most hogs were hauled from farms to market outlets in straight trucks. But the kinds of trucks used differed between size categories. Smaller producers hauled many of their hogs in pickup trucks and made almost no use of semi-trucks. On the other hand, the largest producers made no use of pickups and hauled about one-third of their hogs in semi-trucks. These differences are no doubt due to differences in average lot size and average distance traveled from farm to market.

## Selling Methods

Hogs delivered at many market outlets may be sold using either liveweight or carcassweight ("grade and yield") selling methods. Table 14 shows that in 1971, 94 percent of the hogs marketed in Iowa were sold using one of three liveweight methods and 6 percent were sold on a carcassweight basis. For over three-fourths of the hogs marketed in Iowa a single price per hundredweight of liveweight was negotiated for all hogs in the lot. Another 12 percent were sold at a single price per hundredweight of liveweight for all except a few hogs in the lot which were priced separately (usually a lower price). Only 4 percent were first sorted into groups of uniform quality and then priced, by group, on a liveweight basis.

Table 14 also shows that the relative importance of the selling methods differs between producer size categories. As size increases, carcassweight selling becomes more important. Producers in the smallest size category sold only 5 percent of their hogs on a carcassweight basis while producers in the largest size category sold 20 percent of their hogs on a carcassweight basis.

## Preferred Selling Methods

Many producers feel they would receive more money if they sold more of their hogs on a carcassweight basis, especially high quality hogs weighing 200-220 pounds. The responses that producers gave when asked what selling method they felt would return them the most money for uniform lots of hogs falling in various weight and grade categories are shown in Table 15.

For all except two of the 12 grade and weight categories in Table 15 liveweight selling was preferred by a majority of producers. As expected, the proportion preferring carcassweight selling is higher for higher quality hogs and for hogs near the 200-220 pound weight range than it is for the other grade and weight categories. For example, 63 percent of the producers preferred carcassweight selling for U.S. No. 1, 200-220 pound hogs, while only 4 percent preferred carcassweight selling for U.S. No. 3, 240-270 pound hogs.

A comparison of Tables 14 and 15 suggests that many producers who feel they would receive more money by selling hogs on a carcassweight basis are instead selling them on a liveweight basis. While Table 14 shows that 94 percent are actually sold on a liveweight basis, the preference for liveweight selling is not as high as 94 percent for any of the grade and weight categories in Table 15. One reason may be that some of the outlets used by Iowa producers do not offer carcassweight bids. Also, factors other than the amount of money received may account for use of liveweight selling.

## Choosing Market Outlets

The producers interviewed indicated that the factor they consider most important in choosing a market outlet is the price received at the outlet. In order of importance other factors producers consider when choosing a market outlet are: nearness or convenience, reliability of weighing, sorting or grading procedures used, the amount of shrink, the amount of personal attention received,

the premiums received for particular grades and weights of hogs, marketing costs, the length of the wait between the time hogs are sold and the time payment is received, and the number of competing buyers on hand.

At least in 1971, the possibility of forward contracting was not an important consideration for most producers in choosing a market outlet. Fewer than 1 percent of the producers sold hogs on contract.

Table 11. Number of market outlets used by Iowa hog producers, 1971.

| Number of market outlets used | Category of producers[a/] Size category: 1 | 2 | 3 | 4 | 5 | 6 | 7 | All Iowa hog producers |
|---|---|---|---|---|---|---|---|---|
| Percentage of producers using: | - - - - - - - - - - - percent - - - - - - - - - - - | | | | | | | |
| One outlet . . . . . | 75 | 64 | 48 | 46 | 48 | 41 | 25 | 63 |
| Two outlets . . . . . | 22 | 27 | 41 | 43 | 28 | 27 | 50 | 29 |
| Three outlets . . . . . | 3 | 9 | 11 | 11 | 24 | 32 | 25 | 8 |
| Total percentage . . . | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |

[a/] The average number of butcher hogs sold in 1971 was 108 for size category 1, 208 for category 2, 276 for category 3, 398 for category 4, 582 for category 5, 1038 for category 6, 2111 for category 7, and 286 for all Iowa producers.

Table 12. Number of bids Iowa hog producers usually obtained before selling a lot of hogs, 1971.

| Number of bids usually obtained | Category of producers[a/] Size category: 1 | 2 | 3 | 4 | 5 | 6 | 7 | All Iowa hog producers |
|---|---|---|---|---|---|---|---|---|
| Percentage of producers usually obtaining: | - - - - - - - - - - - - - - - - - - percent - - - - - - - - - - - - - - - - - - | | | | | | | |
| One bid . . . . . | 48 | 49 | 43 | 39 | 41 | 27 | 42 | 46 |
| Two bids . . . . . | 52 | 46 | 44 | 53 | 45 | 49 | 8 | 49 |
| Three or more bids . | 0 | 5 | 13 | 8 | 14 | 24 | 50 | 5 |
| Total percentage . | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |

[a/] The average number of butcher hogs sold in 1971 was 108 for size category 1, 208 for category 2, 276 for category 3, 398 for category 4, 582 for category 5, 1038 for category 6, 2111 for category 7, and 286 for all Iowa producers.

Table 13. Types of market outlets used by Iowa hog producers and average farm-to-market distance, 1971.

| Item | Category of producers[a/] Size category: 1 | 2 | 3 | 4 | 5 | 6 | 7 | All Iowa hog producers |
|---|---|---|---|---|---|---|---|---|
| Type of market outlet used. Percentage of producers using: | - - - - - - - - - - - - - - - - percent - - - - - - - - - - - - - - - - | | | | | | | |
| Terminal markets . . . . . | 16 | 7 | 13 | 9 | 12 | 5 | 8 | 11 |
| Packing plants . . . . . | 13 | 26 | 13 | 22 | 20 | 30 | 33 | 20 |
| Packer owner buying stations . . . . . | 48 | 46 | 46 | 47 | 45 | 38 | 36 | 46 |
| Independent buying stations . . . . . | 22 | 17 | 21 | 17 | 19 | 25 | 23 | 19 |
| Other market outlets[b/] . . | 1 | 4 | 7 | 5 | 4 | 2 | 0 | 4 |
| Total percentage . . . | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |
| Average farm-to-market distance . . . . . | - - - - - - - - - - - - - - - - miles - - - - - - - - - - - - - - - - 12.5 | 16.5 | 16.9 | 17.8 | 22.7 | 21.5 | 22.2 | 17.1 |

[a/] The average number of butcher hogs sold in 1971 was 108 for size category 1, 208 for category 2, 276 for category 3, 398 for category 4, 582 for category 5, 1038 for category 6, 2111 for category 7, and 286 for all Iowa producers.

[b/] Other market outlets include National Farmers Organization, Interstate Producers Livestock Association, auctions, and breeding stock leasing corporations.

Table 14. Selling methods used by Iowa hog producers, 1971.

| Selling method | Category of producers[a/] Size category: 1 | 2 | 3 | 4 | 5 | 6 | 7 | All Iowa hog producers |
|---|---|---|---|---|---|---|---|---|
| Liveweight methods. Percentage of hogs sold: | - - - - - - - - - - - - - - - - percent - - - - - - - - - - - - - - - - | | | | | | | |
| Single price for entire lot . . . . . | 84 | 76 | 82 | 76 | 68 | 68 | 70 | 78 |
| Single price except some at lower price . . . | 8 | 15 | 10 | 16 | 13 | 11 | 2 | 12 |
| Separate price for each grade . . . . . | 3 | 4 | 5 | 2 | 6 | 3 | 8 | 4 |
| Total percentage sold liveweight . . . . | 95 | 95 | 97 | 94 | 87 | 82 | 80 | 94 |
| Carcassweight method. | | | | | | | | |
| Total percentage sold carcassweight . . | 5 | 5 | 3 | 6 | 13 | 18 | 20 | 6 |
| Total percentage for all methods . . . . . | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |

[a/] The average number of butcher hogs sold in 1971 was 108 for size category 1, 208 for category 2, 276 for category 3, 398 for category 4, 582 for category 5, 1038 for category 6, 2111 for category 7, and 286 for all Iowa producers.

Table 15. Selling methods Iowa hog producers preferred for uniform lots of hogs of various weights and grades, 1971.

| Grade and weight category | Percentage of Iowa producers: Preferring live basis | Preferring carcass basis | No preference | Total |
|---|---|---|---|---|
| | - - - - - - - - - - - - - - - - - - Percent - - - - - - - - - - - - - - - - - - | | | |
| U. S. No. 1: | | | | |
| 180-200 lb. | 54 | 38 | 8 | 100 |
| 200-220 lb. | 31 | 63 | 6 | 100 |
| 220-240 lb. | 45 | 49 | 6 | 100 |
| 240-270 lb. | 68 | 26 | 6 | 100 |
| U. S. No. 2: | | | | |
| 180-200 lb. | 70 | 24 | 6 | 100 |
| 200-220 lb. | 53 | 41 | 6 | 100 |
| 220-240 lb. | 67 | 27 | 6 | 100 |
| 240-270 lb. | 84 | 10 | 6 | 100 |
| U. S. No. 3: | | | | |
| 180-200 lb. | 86 | 7 | 7 | 100 |
| 200-220 lb. | 84 | 11 | 5 | 100 |
| 220-240 lb. | 90 | 5 | 5 | 100 |
| 240-270 lb. | 91 | 4 | 5 | 100 |

# 6. PRICES AND PRODUCTION COSTS FOR DIFFERENT WEIGHTS AND GRADES OF HOGS

by Ronald Raikes

Larger hog producers expect to receive higher prices than smaller producers expect to receive for hogs of similar weights and grades. Also, producers believe that U.S. No. 1 hogs bring higher prices and cost less to produce than lower grade hogs of similar weights, and that hogs weighing 200-220 lb. bring higher prices than either lighter or heavier hogs of the same grade.

## Price Expectations

One series of survey questions was directed at price differences producers expect for different weights and grades of hogs. Each producer was asked: "Suppose that one day last week the average price for 220-240 lb. U.S. No. 1 to 3 barrows and gilts was $20 per cwt. at the market you use most often. What price would you have expected to receive that day, at that market, for each of six grade and weight categories?"

Responses are summarized in Table 16. The first line shows that given the $20 per cwt. price for 220-240 lb. U.S. No. 1 to 3 hogs, the average Iowa hog producer expected to receive $20.28 per cwt. for 220-240 lb. U.S. No. 1 hogs. This line also shows that 12.6 percent of all producers interviewed expected to receive less than $20 per cwt., 49.2 percent expected to receive $20 per cwt., and 38.2 percent expected to receive more than $20 per cwt. for this grade and weight of hogs. Separate results for the smallest of the producers interviewed are shown in the second line, and results for the largest producers are shown in the third line. Only 35.3 percent of the smallest producers expected prices above $20 per cwt. for this grade and weight of hogs, compared to 54.5 percent of the largest producers.

Table 16. Prices producers expected to receive for barrows and gilts of various weights and grades.

| Grade and weight category | Average expected price | Proportion of producers expecting price to be: Less than $20 per cwt. | $20 per cwt. | More than $20 per cwt. | Total |
|---|---|---|---|---|---|
| | $ per cwt. | percent | percent | percent | percent |
| U.S. No. 1 | | | | | |
| 220-240 lb. | | | | | |
| All producers . . . . . | 20.28 | 12.6 | 49.2 | 38.2 | 100.0 |
| Smallest producers. . . | -- | 11.8 | 52.9 | 35.3 | 100.0 |
| Largest producers . . . | -- | 18.2 | 27.3 | 54.5 | 100.0 |
| U.S. No. 2 | | | | | |
| 180-200 lb. | | | | | |
| All producers . . . . . | 19.39 | 81.1 | 13.1 | 5.8 | 100.0 |
| Smallest producers. . . | -- | 86.2 | 10.3 | 3.4 | 100.0 |
| Largest producers . . . | -- | 63.6 | 9.1 | 27.3 | 100.0 |
| 200-220 lb. | | | | | |
| All producers | 19.94 | 27.7 | 56.3 | 16.0 | 100.0 |
| Smallest producers. . . | -- | 29.0 | 58.1 | 12.9 | 100.0 |
| Largest producers . . . | -- | 18.2 | 18.2 | 63.6 | 100.0 |
| 220-240 lb. | | | | | |
| All producers . . . . . | 19.91 | 38.5 | 46.6 | 14.9 | 100.0 |
| Smallest producers. . . | -- | 36.4 | 45.5 | 18.2 | 100.0 |
| Largest producers . . . | -- | 18.2 | 36.4 | 45.5 | 100.0 |
| 240-270 lb. | | | | | |
| All producers . . . . . | 19.18 | 89.9 | 6.9 | 3.2 | 100.0 |
| Smallest producers. . . | -- | 83.3 | 16.7 | 0.0 | 100.0 |
| Largest producers . . . | -- | 70.0 | 10.0 | 20.0 | 100.0 |
| U.S. No. 3 | | | | | |
| 220-240 lb. | | | | | |
| All producers . . . . . | 19.34 | 67.5 | 29.0 | 3.5 | 100.0 |
| Smallest producers. . . | -- | 71.0 | 25.8 | 3.2 | 100.0 |
| Largest producers . . . | -- | 41.7 | 25.0 | 33.3 | 100.0 |

Producers expect to receive less for lower quality hogs in a given weight range. The average producer expected $19.91 per cwt. for 220-240 lb. U.S. No. 2 hogs, nearly $0.40 per cwt. less than for U.S. No. 1 hogs of this weight; and he expected $19.34 per cwt. for 220-240 lb. U.S. No. 3 hogs, nearly $1 per cwt. less than for No. 1 hogs. Both small and large producers expected lower prices for lower grades. The lower the grade of 220-240 lb. hogs, the lower the percentage of both groups expecting prices above $20 per cwt.

The camparisons for hogs grading U.S. No. 2 show that producers expect to receive highest prices for hogs weighing 200-220 lb. and slightly less for those weighing 220-240 lb. More than 80 percent of all producers interviewed expected discounts for hogs weighing less than 200 lb. or more than 240 lb., with larger discounts expected for the heavier weight range.

For every one of the six grade and weight categories a greater proportion of the largest producers than of the smallest producers expected prices above the $20 per cwt. average price.

## Production Costs

Another series of survey questions was directed at production costs producers expect for different grade and weight categories. Producers were asked: "Suppose it cost you $16 per cwt. to produce 220-240 lb., U.S. No. 2 hogs. This $16 cost includes all cost items; feed, labor, capital, buildings, equipment, and breeding stock. How much would it cost you per cwt. to produce hogs falling in each of five other grade and weight categories?"

Table 17 shows that the average Iowa producer expected production costs for 220-240 lb. hogs to be higher for hogs of lower grades. Production costs for 220-240 lb. U.S. No. 3 hogs were expected to be $0.87 per cwt. higher than for U.S. No. 2 hogs, and $1.10 per cwt. higher than for U.S. No. 1 hogs.

Table 17. Expected production costs for barrows and gilts of various weights and grades.

| Grade and weight categories | Average expected production cost | Proportion of producers expecting cost to be: Less than $16 per cwt. | $16 per cwt. | More than $16 per cwt. | Total |
|---|---|---|---|---|---|
| | $ per cwt. | percent | percent | percent | percent |
| U.S. No. 1 | | | | | |
| 220-240 lb. . . . . | 15.77 | 37.6 | 39.0 | 23.4 | 100.0 |
| U.S. No. 2 | | | | | |
| 180-200 lb. . . . . | 14.87 | 77.4 | 14.4 | 8.2 | 100.0 |
| 200-220 lb. . . . . | 15.49 | 61.7 | 31.5 | 6.8 | 100.0 |
| 220-240 lb. . . . . | 16.00[a/] | -- | -- | -- | -- |
| 240-270 lb. . . . . | 17.38 | 1.7 | 6.0 | 92.3 | 100.0 |
| U.S. No. 3 | | | | | |
| 220-240 lb. . . . . | 16.87 | 8.8 | 27.4 | 63.8 | 100.0 |

[a/] Assumed production cost for 220-240 lb. U.S. No. 2 hogs.

Producers expect production costs to increase with weight for a given grade of hogs (U.S. No. 2). More than 77 percent of all producers interviewed expected costs for 180-200 lb. hogs to be less than for 220-240 lb. hogs, and 92.3 percent expected costs for 240-270 lb. hogs to be higher than for 220-240 lb. hogs.

Expected production cost differences among the grade and weight categories were the same for large and small producers.

## Seasonal Price Patterns

J. Marvin Skadberg

Most hog producers, according to a recent survey, are generally aware that hog prices are not at the same level throughout the year and prices during certain months are higher than they are for other months. Hog producers, however, disagree on which months prices are higher or lower.

Hog producers were asked if they agreed with the statement "There are certain months of the year when hog prices are higher?" Over 76 percent of the hog producers surveyed agreed with the statement. A greater percentage of the large producers agreed with the statement than did the smaller producers (Table 18).

Table 18. Hog producer's response to question "Are Hog Prices Higher at Certain Months of the Year, by Size of Farm?"

| Average number of hogs sold per year | Percent answering yes |
|---|---|
| 108 hogs | 63.9 |
| 208 | 76.2 |
| 276 | 76.0 |
| 398 | 69.5 |
| 582 | 77.0 |
| 1,038 | 75.0 |
| 2,111 | 83.0 |
| Average 286 | 76.2 |

Hog producers were also asked which months they thought prices were higher, lower, or the same as the average yearly price. Table 19 summarizes their answers.

There were only two months for which a large majority of the hog producers thought prices were either higher or lower, they were the months of July and November. Seventy-four percent of the producers thought hog prices in July were higher than average and 62 percent thought November hog prices were lower than the average yearly price.

Table 19. Months of the Year Hog Producers Thought Prices were Higher, Lower or the Same as Average Yearly Price

| Month | Percent of Producers Who Thought Prices Were | | |
|---|---|---|---|
| | Higher % | Average % | Lower % |
| January | 22.1 | 62.6 | 15.3 |
| February | 22.6 | 69.5 | 7.9 |
| March | 4.9 | 73.8 | 21.3 |
| April | 2.7 | 75.7 | 21.6 |
| May | 10.7 | 82.1 | 7.2 |
| June | 50.3 | 47.1 | 2.6 |
| July | 74.2 | 23.1 | 2.5 |
| August | 35.1 | 60.4 | 4.1 |
| September | 3.6 | 84.0 | 12.4 |
| October | 2.4 | 61.6 | 36.0 |
| November | 1.7 | 35.8 | 62.5 |
| December | 10.8 | 43.3 | 45.9 |

There were only two months which more than fifty percent of the producers thought hog prices were higher than the yearly average; July (already stated earlier) and June (50.3%).

There were eight months, January, February, March, April, May, August, September and October for which more than sixty percent of the hog producers thought hog prices were no different than the yearly average.

A substantial number of producers thought hog prices during the months of October, November and December were lower than average.

## Response by Size of Hog Enterprise

There was some difference in response to the above questions by size of farm. For example, only seventy-two percent of the producers in size groups 1, 2, 3 and 4 (average sizes of enterprise ranges from 108 to 398 hogs sold per year) thought July hog prices were higher than the yearly average price; whereas over eighty-one percent of the producers in size groups 5, 6 and 7 (average size of hog enterprise ranges from 581 to 2,110 hogs sold per year) thought July hog prices were higher than the yearly average price.

## Spending Additional Time Marketing Hogs

J. Marvin Skadberg

Hog producers were asked in the survey if they were willing to spend additional time marketing hogs or studying market information. Over one-half (59.1%) of the hog producers interviewed did not think they could increase hog returns by spending more time marketing hogs. Apparently a majority of hog producers think they are marketing hogs the best possible way and that any additional time spent marketing hogs would not increase hog returns.

However, forty-one percent of the hog producers thought they could increase hog returns by spending additional time marketing hogs.

Hog producers were asked how large an increase in price they would expect if they were to spend additional time marketing hogs (See table 20).

Table 20. Price per hundredweight increase expected from additional time spent marketing hogs.

| Returns expected | Percent of farmers |
|---|---|
| Less than $1.00 per cwt. | 26.3 |
| About $1.00 per cwt. | 10.3 |
| Greater than $1.00 per cwt. | 4.3 |
| No additional returns | 59.1 |

A little over twenty-six percent of the hog producers thought additional time spent marketing hogs would increase returns by less than one dollar per hundredweight. About ten percent thought returns per hundredweight would be about one dollar and over four percent thought the hog price increase resulting from spending additional time marketing hogs would be more than one dollar per hundredweight.

It would appear from the above table, that the majority of hog producers feel they are doing as well marketing hogs as possible and that any further effort devoted to comparing prices examining price forecasts, sorting hogs, using futures market etc. would not yield any additional income.

Additional Income Needed

In the same interview,hog producers were asked how much income would they need before they were willing to spend fifty-two additional hours per year marketing hogs. The responses are summarized in table 21.

Table 21. Additional income necessary to make producer willing to devote more time to marketing hogs.

| Income | Percent of Producers |
|---|---|
| Less than $100 | 7.8 |
| $101 to $499 | 66.1 |
| $500 to $1,000 | 23.0 |
| More than $1,000 | 3.1 |

More than seven percent (7.8%) of the hog producers indicated they would need less than $100 extra income from the additional time spent marketing hogs. The largest majority (66.1%) of hog producers indicated they would need from $101 to $499 for their time before they would be willing to spend more time marketing hogs. Twenth-three percent needed from $500 to $1,000 and about three percent (3.1%) indicated they need over $1,000 for the fifty-two hours per year additional time spent marketing hogs.

By summing up the last three groups, one can observe that more than ninety-two percent of the hog producers need at least $100 of income before they would be willing to spend additional time marketing hogs.

Breaking the above income figure down into dollars per hour means that over ninety-two percent of the hog producers feel that their time is worth

at least two dollars per hour. Only about eight percent (7.8%) of the hog producers would be willing to accept less than two dollars per hour for their time or labor.

Over sixty-six percent (66.1%) indicated they needed from two to about ten dollars per hour for their labor. Twenty-three percent indicated they would have to receive from ten to twenty dollars per hour for their time, if they were to devote additional time marketing hogs, and about three percent (3.1%) indicated they expected over $20 per hour for their labor.

There was very little variation in the answers by size of hog farm. The small hog producer generally expected as large a return from their time or labor as did the large producer.

If the small producer expected as large a return for his time or labor as large producers then the small hog producer would require a much higher additional price per hundredweight from the time spent on marketing than would the large producer.

A producer marketing 200 hogs per year spending fifty-two additional hours per year marketing hogs would need one dollar per hog or about 50 cents per hundredweight to earn about four dollars per hour for his labor, whereas, a producer marketing 2,000 hogs would need only an additional 10 cents per hog or 5 cents per hundredweight to earn the same four dollars per hour.

## Important Hog Marketing Activities

The hog producers who expected increases in income from additional time spent on marketing were asked to indicate which activities they would spend additional time on and which they would not spend time on. Table 22 summarizes the results.

Table 22. Percent of farmers who would or would not spend additional time on specified marketing activities.

| Marketing Activity | No additional time (% of farmers) | Additional time (% of farmers) | Rank 1/ |
|---|---|---|---|
| Studying forecasts and outlook information about current and future market conditions from radio, TV, newspapers, magazines and newsletters | 4.2 | 95.8 | 1 |
| Keeping or analyzing records of swine operations | 11.0 | 89.0 | 2 |
| Comparing price bids or quotations from several dealers | 12.7 | 87.3 | 3 |
| Keeping track of livestock futures | 13.5 | 86.5 | 4 |
| Obtaining more information on price differential for different weights and grades | 17.7 | 82.3 | 5 |
| Checking with buyers or commission agents on whether it is a good time to market | 18.2 | 81.3 | 6 |
| Investigating selling hogs through other market outlets that I do not now use | 20.4 | 79.5 | 7 |
| Sorting hogs into lots of uniform weight and quality | 22.4 | 77.6 | 8 |

(continued)

1/ The activities are ranked by the percentage of farmers that indicated they would spend time on an activity.

Table 22. Percent of farmers who would or would not spend additional time on specified marketing activities, cont'd.

| Marketing Activity | No additional time (% of farmers) | Additional time (% of farmers) | Rank |
|---|---|---|---|
| Selling hogs by grade and yield | 27.3 | 72.7 | 9 |
| Investigating selling hogs on contract | 37.4 | 62.6 | 10 |
| Checking with neighbors on prices they have recently received | 54.1 | 45.9 | 11 |
| Selling hogs in more distant markets | 55.0 | 45.0 | 12 |
| Hauling hogs to market myself | 66.3 | 37.7 | 13 |

Most of the hog producers indicated they would spend additional time on studying forecasts and outlook information about current and future market conditions. The second most important activity was keeping and analyzing swine records. The third ranking activity was comparing bids or quotations from several dealers.

The least important activities according to hog producers was hauling hogs to market myself, selling hogs to more distant markets and checking with neighbors on prices they received.

Hog producers response by indicating how much time they might spend on a particular activity will depend on both how much time they already spend on a particular activity and how important they think that activity is. For example, if most farmers already haul their own hogs to market, they could hardly spend any additional time on this activity. Therefore, to get some better idea how important producers thought a marketing activity was, they were asked which activity they would spend much additional time on and that data is reported in table 23.

The highest ranking items were studying forecasts and outlook information and analyzing records. Over 40 percent of the hog producers indicated they would spend much additional time on these two activities. The item which ranked third was sorting hogs into uniform weights and quality with over twenty-seven (27.3%) of the producers indicating they would spend much time on this activity.

The three items ranking the lowest were investigating other market outlets, comparing bids from several dealers, and checking prices with neighbors. Again most farmers haul their own hogs to market so one wouldn't expect much additional time would be spent in this activity. Apparently hog producers do not feel that comparing price bids or searching out different markets very worthwhile

Table 23. Percent of farmers who would spend much additional time on an activity.

| Marketing Activity | Much additional time (% of farmers) | Rank 1/ |
|---|---|---|
| Studying forecasts and outlook information about current and future market conditions from radio, TV, newspapers, magazines and newsletters | 41.9 | 1 |
| Keeping or analyzing record of swine operations | 40.7 | 2 |
| Sorting hogs into lots of uniform weight and quality | 27.3 | 3 |
| Selling hogs by grade and yield | 17.8 | 4 |
| Keeping track of livestock futures | 16.0 | 5 |
| Checking with buyers or commission agents on whether it is a good time to market | 13.8 | 6 |
| Selling hogs in more distant markets | 12.1 | 7 |
| Hauling hogs to market myself | 11.8 | 8 |
| Obtaining more information on price differentials for different weights and grades | 9.3 | 9 |
| Investigating sellings hogs on contract | 9.2 | 10 |
| Investigating sellings hogs through other market outlets that I do not now use | 6.9 | 11 |

(continued)

1/ Ranked by the percent of hog producers indicating they would spend much additional time on an activity.

Table 23. Percent of farmers who would spend much additional time on an activity, cont'd.

| Marketing Activity | Much additional time (% of farmers) | Rank |
|---|---|---|
| Comparing price bids or quotations from several dealers | 6.0 | 12 |
| Checking with neighbors on prices they have recently received | 2.5 | 13 |

endeavors. It would appear that hog producers are willing to spend additional time doing things which would bring them a higher price for the markets they already use, but not spend much time investigating new market outlets.